SURVEY REPORT

Employee Handbook Policies and Practices

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EXECUTIVE SUMMARY

The purpose and scope of employee handbook policies and practices are changing and expanding. From a siloed HR activity that creates insular documents concerned primarily with communicating the organization's work rules and benefits, employee handbook policies and practices have evolved into a critical component of an organization-wide management process that maximizes the organization's achievement of business objectives, enhances the value of their human capital, and minimizes legal risk.

To assess the dimensions and velocity of employee handbook policies and practices evolution, **Laurdan Associates, Inc.** and **Ceridian** conducted a nationwide survey of employers in October and November of 2010.

More than 225 employers, ranging in size from fewer than 10 employees to more than 200,000 employees, participated in the survey. Key survey findings include:

1. Employment policies, whether incorporated in formal handbooks or issued as discrete statements, are prevalent in the workplace. Ninety-one percent of participants indicated they had such policies.
2. Size matters. The size of the organization, measured by the number of employees, influenced the number and breadth of policy statements and practices. Larger employers reported the inclusion of more comprehensive policies and a more structured approach to employee handbook development.
3. Employers reported numerous purposes for issuing an employee handbook, from controlling and managing the risk from employment related liabilities (95% of the survey participants) to assisting in hiring and retention processes (62%).

4. There is a gap—in some cases sizeable—between the creation of employee handbook policies and the practices used to implement, monitor, and ensure the effectiveness of those policies. While many of the recommended and required policies were reportedly included by survey participants in their employee handbooks, only 42% indicated that they assessed the effectiveness of their handbooks in meeting the handbook's purposes and objectives; only 57% assessed the policies in their handbook to ensure that the handbook was consistent with comments and information communicated during the hiring and on-boarding process; and only 74% ensured that all employees received a copy of handbook revisions.
5. Once an employee handbook was issued, organizations moved on to other issues. Only 11% followed up with employees to determine if the handbook answered routine questions.
6. Employee handbooks were written for the moment. Only 47% indicated that they considered future organizational needs or emerging employment issues when drafting their handbook.
7. The alignment between employment policies and organizational strategies was weak in many organizations. Only 70% of survey participants considered their employee handbook as an element of their strategic HR activities.

Introduction

Most employment relations and legal experts agree that employee handbooks are an essential component, if not the foundation, of sound HR management, positive employee relations, and effective employment practices liability risk management.

Employee handbooks that are aligned with strategic and business objectives, are properly drafted, and are effectively implemented:

- Enhance the employment brand.
- Play a key role in recruitment and retention.
- Enhance employee relations, employee morale, and productivity.
- Contribute to uniform and consistent application, interpretation, and enforcement of organizational policies and rules.
- Protect the organization against claims of improper employee/supervisor conduct.
- Reduce the organization's exposure to employment related liabilities.

Conversely, employee handbooks that are misaligned, improperly drafted, or ineffectively implemented:

- Undermine the employment brand.
- Mislead employees about what is important and misdirect employees about what action they should take.
- Reduce employee commitment and engagement.
- Increase the risk of employment related claims and lawsuits and increase the organization's vulnerability to third party intervention.

As the embodiment of the organization's values and culture, employee handbooks provide an indication of the tone at the top, help choreograph day-to-day employee activities and interactions, and play a valuable role in demonstrating the organization's commitment to a "culture of compliance."

Employee handbooks also formalize mutual expectations of the organization and its employees: they describe what the organization expects from its employees, and what employees should expect from the organization. In delineating these expectations, employee

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handbooks create opportunities and risks for employers. Handbooks provide organizations with the opportunity to enhance the value of their human capital, make their organizations more competitive, and improve individual and organizational performance. Conversely, handbooks can impede the achievement of business objectives, increase employment related liabilities, and reduce managerial prerogatives by making promises or committing to certain procedural safeguards that the organization did not intend to make.

This survey report discusses the findings of a nationwide survey of employers concerning their employee handbook policies and practices.

EMPLOYEE HANDBOOK: EXTERNAL AND INTERNAL FACTORS

Employee handbook policies and practices are evolving—in some cases slowly—as a result of economic, organizational, and legal factors. These external and internal factors are beginning to affect how employment related policies are created, the methods used to communicate those policies, and the handbook practices required to implement and monitor those policies. These factors include:

- The purposes and value of employee handbooks are changing.
- The number of employee handbook stakeholders is growing.
- The size and complexity of employee handbooks is expanding.
- The employee handbook development process is being redesigned.

THE PURPOSES AND VALUE OF EMPLOYEE HANDBOOKS ARE CHANGING.

Employee handbooks have traditionally functioned as a source of information directed at a passive audience—employees. Handbooks have also been used as an employee relations tool and as a method of complying with employment law notice requirements. Employee handbook success has typically been measured by such HR efficiency metrics as the percent of employees that received their handbook.

In the global economy with increasing competitive pressures and dynamic changes in the workplace and workforce, and in the aftermath of the recession, the strategic value of human capital has grown in importance and the emphasis of human resources management has expanded from expense control and risk mitigation to asset enhancement and return on investment (ROI).

These factors are forcing organizations: 1) to recognize and evaluate the impact of their employee handbook on their employment brand and talent management activities; and 2) to assess their handbooks' contribution to achieving business objectives. This shift in emphasis to assessing the handbook's role in improving organizational performance and the growing interest in HR metrics and human capital measurements has increased interest in the development and use of employee handbook analytics and scorecards that assess the impact of handbook policies and practices on organizational and individual

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performance, assign accountability, and identify specific areas for improvement.

THE NUMBER OF EMPLOYEE HANDBOOK STAKEHOLDERS IS GROWING.

The audience for employee handbooks is no longer limited to employees. There is a growing list of stakeholders: from employees, retirees, applicants, recruiters, and unions to plaintiff's attorneys, government agencies, insurance carriers, venture capitalists, investors, suppliers, and competitors. These various stakeholders scrutinize different attributes of the handbook and place different values on the handbook's contents, message, format, and implementation. Accordingly, in drafting their employee handbooks organizations must be conscious of how these diverse stakeholders—with often-conflicting motivations—will use and assess their handbooks.

Additionally, social networks—and now WikiLeaks—increase the likelihood that employee handbooks will become more accessible and visible to the general public, and competitors. This is likely to become an increasing concern for many organizations, and may well alter drafting and implementation processes.

THE SIZE AND COMPLEXITY OF EMPLOYEE HANDBOOKS IS EXPANDING.

Once designed to fit into an employee's back pocket, current employee handbooks: 1) can exceed 50 pages in length; 2) may be available in virtual as well as in printed form; 3) may be written in more than one language; 4) may have to consider the laws of multiple states; and 5) may require numerous and separate employee acknowledgement receipts. These factors will increasingly impact the drafting, production, and distribution of handbooks.

THE EMPLOYEE HANDBOOK DEVELOPMENT PROCESS IS BEING REDESIGNED.

Traditionally the promulgation of the organization's employee handbook has been relegated to the human resources and legal departments, with little or no input from operations and line managers. As the need for alignment between organizational objectives and employment policies grows stronger, and the contributions of human capital more critical to organizational success, the employee handbook development process will become more transparent, more collaborative, and more inclusive.

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SURVEY FINDINGS

The survey revealed a number of positive and negative findings:

1. Survey participants indicated wide use of written HR management policies and statements. Ninety-one percent of all participants indicated that their organization had developed and promulgated human resource management policies and procedures.

2. Participants indicated that multiple methods were used to communicate employment policies: 1) 89% specifically used an employee handbook to communicate policies; 2) 84% used written memos and documents that they gave directly to their employees or posted on bulletin boards; 3) 76% communicated orally and/or by having employees "observe how we operate"; and 4) 59% posted an electronic version of their handbook on the Web or their intranet site.
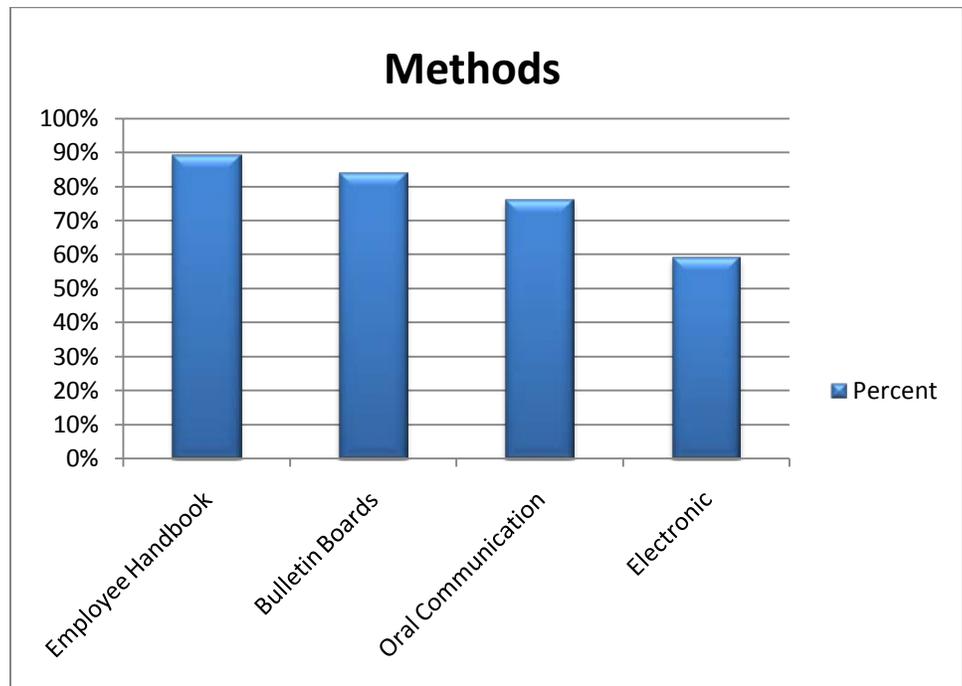
3. When developing policies, 89% considered their corporate culture in drafting their handbook; 87% aligned their policies and procedures with strategic, business, talent management, EEO and diversity objectives; and 75% considered the external and internal factors that affected their organization's competitive position and ability to generate revenue.

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4. The general purposes for HR management policies and procedures included: 1) to control and manage the risk from employment related liabilities (95% of the survey participants); 2) to enhance the asset value of the organization's human capital (75%); 3) to control the financial implications (the costs and cash flow impact) of compensation and benefits (73%); and 4) to increase the ROI of the organization's human capital (66%).

General Purposes
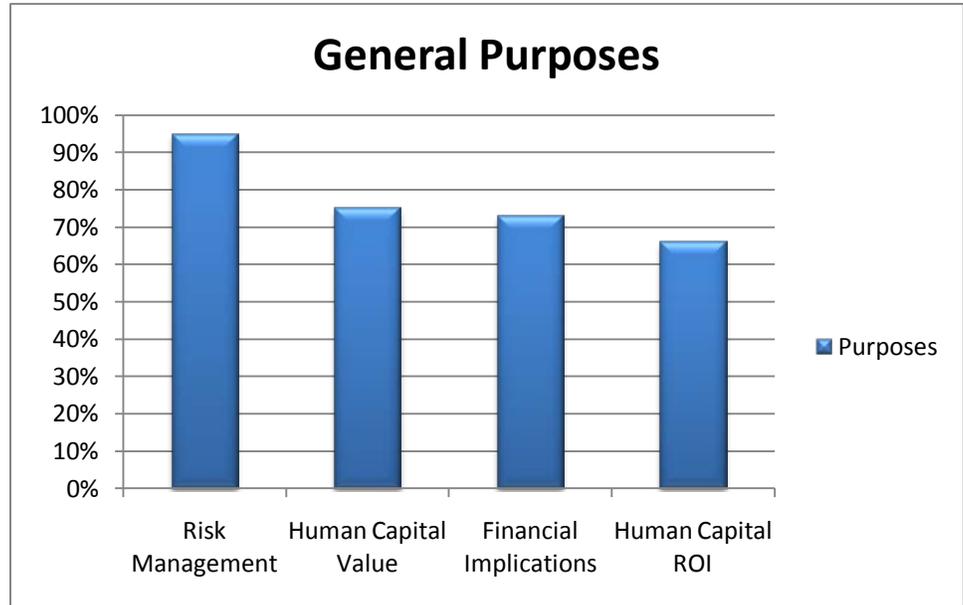
5. The specific purposes for issuing an employee handbook included: 1) to comply with legal obligations and requirements (96%); 2) to communicate important information (95%); 3) to help answer routine employee questions (94%); 4) to contribute to organizational orderliness (88%); 5) to create a positive employee relations environment (86%); 6) to delineate the organization's employment-related prerogatives (80%); and 7) to assist in hiring and retention (62%).
6. When asked if they assessed the effectiveness of their handbooks in meeting those purposes and objectives, only 42% responded positively.
7. The survey raised questions about the comprehensiveness of employee handbooks. Only 40% of survey participants indicated that their handbook included a discussion of both written and unwritten policies and practices.

8. Weaknesses in employee handbook internal controls were also exposed. For example, only 57% of participants assessed material in the handbook to ensure that their handbook material was consistent with comments and information communicated during the hiring and on-boarding process, and only 74% ensured that all employees received a copy of handbook revisions. Seventy-eight percent compared statements made in their handbook with statements made on their employment application form, offer letters, and other personnel action forms, while 87% ensured that their handbook was aligned with actual employment policies and practices. Ninety-one percent indicated that they obtain a signed employee acknowledgement of receipt of the handbook and that this acknowledgement was placed in the employee's personnel file.

9. Responses concerning the format and logistics of employee handbooks also revealed some weaknesses: only 54% included an issue date on their handbook, only 61% included a revision date, and only 63% regularly reviewed and assessed their handbook's format, design, and method of distribution to determine effectiveness.

10. Responses to the question: "Who reviews the handbook before it was issued?" indicated that employee handbooks are often created behind closed doors. While 98% indicated that their human resources department reviewed the handbook before it was issued and 88% indicated that their handbook was reviewed by legal counsel before being released, only 55% indicated that managers and supervisors previewed their handbook and only 15% had a sample group of employees preview the handbook.

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11. The alignment and integration of employment policies and organizational strategies was weak in many organizations. Only 70% of survey participants considered their employee handbook an element of their strategic HR activities.

12. The internal and external impact of employee handbooks was reportedly limited. There are a growing number of employee handbook stakeholders. Survey participants were asked whether their employee handbooks created a positive image and a favorable impression of their organization with these stakeholders. Seventy-four percent report a favorable impact on employees; 85% on supervisors; 29% on stockholders and investors; 61% on their insurance carriers; 66% on the EEOC, DOL, and government agencies; and only 54% on the courts and juries.

13. Once an employee handbook was issued, organizations moved on to other issues. Only 11% followed up with employees to determine if the organization's policies answered routine questions. And while 90% indicated that they regularly reviewed their handbook to ensure compliance with changes in federal, state, and local laws, only 51% ensured that their handbook was still responsive to a changing workforce, and only 64% ensured that their handbook recognized and responded to changes in organizational structure, locations, and operations.

14. Employee handbooks were written for the moment. Only 47% indicated that they considered future organizational needs and emerging employment issues when drafting their handbook.

15. Common employee handbook topics included:
    A. A discussion of the organization's history, mission, culture, and values (81%).
    B. A statement of the organization's employee relations philosophy (75%).
    C. An "employment-at-will" statement (91%).
    D. A statement that the handbook is not a contract (91%).
    E. A statement that policies, practices, procedures, and benefits may be changed at any time at the sole discretion of the organization (92%).
    F. A statement indicating who had authority to enter into employment agreements or to make an agreement contrary to the organization's employment-at-will policy (66%).
    G. An EEO statement (96%).

H. A sexual harassment statement (98%).
I. A statement concerning the organization's labor relations philosophy (46%).
J. A statement concerning the use of the organization's property (85%).
K. A statement concerning the use of the organization's computers, electronic equipment, emails, etc. (91%).
L. A statement concerning the organization's right to search employees' desks, lockers, and vehicles on the organization's property (68%).
M. A statement on the confidentiality of information (80%).
N. A complaint procedure (88%).
O. A drug-free workplace policy (92%).
P. A code of ethics and a statement concerning the organization's commitment to legal compliance (83%).
Q. A discussion of wage and hour and overtime issues (91%).
R. An FMLA policy statement (91%).
S. A listing of offenses that would subject employees to disciplinary action (70%).

CONCLUSION

The purposes of an organization's human capital are to enhance the value of the organization, make the organization more competitive, and help the organization achieve its strategic and business objectives.

These purposes underscore the need for effective employment policies that are aligned with strategic and business objectives and are integrated into operational activities. Employee handbooks play an important role in ensuring that strategic, operational, and talent management goals are achieved and legal and regulatory obligations are met.

Our survey findings indicate that organizations are using employee handbooks as a method of meeting these business, legal, and talent management challenges. Unfortunately, organizations are limiting the effectiveness of their handbook policies by the ineffectiveness of the handbook practices. In many organizations there is a disconnect between the drafting and issuing of handbook policies and the practices that ensure these policies are properly implemented.

To increase the effectiveness of their employment policies, organizations will have to: 1) enhance their business, operational, and legal intelligence to ensure they have identified the changing external and internal factors that affect their policies; 2) increase internal stakeholder participation in the handbook development process to obtain greater employee commitment and operational alignment; 3) establish new metrics to assess handbook policy and practices performance and measure the achievement of organization goals; and 4) implement internal control to alert management when there are failures in employee handbook processes.

ABOUT THE SURVEY

LAURDAN ASSOCIATES INC.

Laurdan Associates Inc. is a human resource management consulting firm specializing in HR audits, employment practices liability risk management, benchmarking and HR metrics, strategic HR, employee surveys, and unemployment insurance management issues. Laurdan's clients include U.S. and international firms, small businesses and nonprofits, insurance companies and brokers, and employer organizations.

Laurdan Associates is the developer of the Employment-Labor Law Audit™ (ELLA®), the nation's leading HR auditing and employment practices risk assessment process, and is a frequent lecturer and author on HR auditing and employment practices liability risk management issues.

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